

Use Tax In New Jersey

Publication ANJ-7

What is Use Tax?

The New Jersey Sales and Use Tax Act (N.J.S.A. 54:32B-1 et seq.) provides for use tax to be imposed when taxable goods and services are purchased for use in New Jersey but sales tax was not collected by the retailer in the state of purchase or was collected at a rate less than the New Jersey sales tax rate.

When sales tax is not collected at the time of purchase or is collected at a rate less than the New Jersey sales tax rate (currently 6%), the purchaser is liable for **use tax** to New Jersey.

Imposition of Use Tax

Examples of when use tax is due:

- Taxable goods and services are purchased out of State for use in New Jersey and no sales tax was collected. In most cases, the purchaser owes use tax. However, special rules apply to lease transactions. For information on paying use tax on leased property, request Tax Topic Bulletin S&U-12, *Leases and Rentals*.
- Taxable goods and services are purchased out of State for use in New Jersey and sales tax was collected at a lower rate than New Jersey's. The purchaser owes use tax. See *Reciprocity* below.
- Items of inventory which were purchased tax free with a resale certificate are used by the vendor (e.g., are given away as part of a promotion). The vendor owes use tax.

Reciprocity

When you purchase goods and services in another state and pay sales tax to that state, New Jersey will allow a credit against the use tax due, provided that the other state allows a similar credit for sales tax paid to New Jersey. If the sales tax rate in a reciprocating state is equal to, or greater than, New Jersey's 6% tax rate, you would not be subject to use tax.

If the sales tax rate in the state where you made your purchase is less than New Jersey's, use tax is due at the rate of 6%. However, if the other state has sales tax reciprocity with New Jersey, a credit for the sales tax you paid there is allowed against the use tax due. For example, if your out-of-State purchase was for \$100 and the sales tax rate was 4%, you paid \$4 in sales tax. The New Jersey use tax is \$6 ($6\% \times \100), less a credit for the \$4 already paid, for a use tax due of \$2.

Registered Vendors

When you purchase taxable tangible personal property from an out-of-State vendor and take possession of it in New Jersey, the vendor will collect New Jersey sales tax if registered to do business in this State. In that case, no use tax is due. On the other hand, an out-of-State vendor that is not registered to do business in New Jersey cannot legally collect New Jersey sales tax. If you purchase taxable merchandise from an out-of-State vendor which does not charge New Jersey sales tax, it does not mean that tax isn't due, but rather that the vendor is not authorized to collect it. In such instances, you are required to remit use tax directly to New Jersey.

Remitting Use Tax

Use tax can be reported and remitted on several different forms. Individual taxpayers report and remit any use tax due on Form ST-18 (see below) or on their New Jersey Resident Income Tax Return, Form NJ-1040 or Form NJ-1040EZ. Vendors and those nonvendors who file monthly and/or quarterly sales and use tax returns with New Jersey report and remit use tax on Forms ST-50 and ST-51. Certain nonvendor businesses, if qualified, are authorized to report and remit use tax using the Annual Business Use Tax Return (Form ST-18B). For more information on filing Forms ST-50, ST-51 and ST-18B, request Tax Topic Bulletin S&U-7, *Filing Sales and Use Tax Returns*.

Self-Audit Programs

From time to time the Division of Taxation conducts Use Tax Self-Audit Programs of businesses and licensed professionals in the State. These programs are geared towards businesses which regularly purchase taxable services and taxable goods such as office supplies and equipment from out-of-State vendors for use in New Jersey without paying sales tax. These businesses and professionals are required to remit use tax on these purchases. With very few exceptions, the Sales and Use Tax Act **does not** exempt from tax items used in conducting business.

There are some items that are taxable *because they are used in business*. For example, paper products are exempt when purchased for household use but are taxable when purchased for use in a business (e.g., toilet tissue for a rest room). If sales tax is not paid on the purchase of the paper products, use tax is due.

For More Information

For more information on New Jersey use tax, call the Division's Customer Service Center at 609-292-6400, e-mail us at taxation@tax.state.nj.us, or write to:

NEW JERSEY DIVISION OF TAXATION
INFORMATION AND PUBLICATIONS BRANCH
PO BOX 281
TRENTON NJ 08695-0281

Many State tax forms and publications are available by fax and on our Web site. Call NJ TaxFax at 609-826-4500 from your fax machine's phone or access the Division's home page at:
<http://www.state.nj.us/treasury/taxation/>

USE TAX Form ST-18 (09/00)		STATE OF NEW JERSEY DIVISION OF TAXATION	FOR OFFICIAL USE ONLY
PURCHASER'S NAME AND ADDRESS _____ _____ _____ Social Security or Federal Identification Number _____		SELLER'S NAME AND ADDRESS _____ _____ _____ Attach Rider if Necessary _____	1. AMOUNT OF PURCHASE \$ _____ 2. USE TAX (Line 1 x .06) _____ 3. CREDIT, IF ANY, FOR TAX PAID IN JURISDICTION OF PURCHASE (See instruction for Line 3) _____ 4. AMOUNT DUE (Line 2 Less Line 3) \$ _____
TAXABLE ITEM(S) PURCHASED	POSSESSION DATE	PRICE PAID	
a) _____ / _____	_____	\$ _____	
b) _____ / _____	_____	_____	
c) _____ / _____	_____	_____	
(If more taxable items were purchased, attach rider)		(Carry Total to Line 1)	
I CERTIFY THAT ALL THE INFORMATION GIVEN IS CORRECT _____ Signature _____ Date _____			

INSTRUCTIONS FOR COMPLETING USE TAX RETURN (Form ST-18)

LINE 1 - Enter the Total amount of all purchases subject to the Use Tax.

LINE 2 - Multiply Line 1 by 6% (.06) and enter the amount of Use Tax.

LINE 3 - Enter credit for sales tax previously paid *ONLY* on purchases where items or services were received outside of New Jersey.

A. TAX PAID TO ANOTHER STATE AT 6% OR HIGHER - If you paid Sales Tax on the purchase at the current New Jersey rate of 6% or a higher rate to another state or jurisdiction and did not take delivery in New Jersey, NO Use Tax is due New Jersey. No credit will be given for such payments on items or services delivered into New Jersey or for taxes paid in foreign countries.

B. TAX PAID TO ANOTHER STATE AT LESS THAN 6% - If you paid sales tax on the purchase at less than the current New Jersey rate of 6% and did not take delivery in New Jersey, Use Tax is due New Jersey in the amount of any difference.

LINE 4 - Subtract line 3 from line 2 and enter the result on line 4. Make payment to: State of New Jersey-Use Tax.

Mail this form upon completion together with your payment to: State of New Jersey-Division of Taxation, Revenue Processing Center, Use Tax, PO Box 261, Trenton, NJ 08646-0261. (KEEP A COPY FOR YOUR RECORDS)

For information regarding the ST-18 and its completion contact: New Jersey Division of Taxation, Customer Service Center at (609) 292-6400.

PRIVACY ACT NOTIFICATION

The Tax Reform Act of 1976, P.L. 94-455, modified at 42USC 405(c)(2)(c)(i), authorizes the use of social security numbers in the administration of a tax law. The Division will use the number for tax account identification and tax administration and collection purposes.